



HUNTINGDONSHIRE DISTRICT COUNCIL

Internal Audit Progress Report

Corporate Governance Committee - 29 January 2025

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KEY MESSAGES

The internal audit plan for 2024/25 was approved by the Corporate Governance Committee (CGC) on 29 May 2024. This report provides an update on progress against that plan and summarises the results of the work completed by the in-house internal audit team to date.

RSM have been appointed in an interim capacity to assist the in-house team in the production of a 2025/26 internal audit plan, the provision of management, support and oversight of the in-house team and to prepare an annual report for 2024/25. The RSM team have therefore met with the Section 151 Officer, Chair of the CGC, Portfolio Holder for Governance and the in-house team, to provide understand the latest position with the 2024/25 plan and .



Since the last CGC meeting in November 2024, the internal audit team has not finalised any draft reports. There are currently **four reviews finalised** by the in-house team from the 2024/25 plan (financial year to date). These are:

- Small / Minor Works Contract Follow Up (advisory / no assurance opinion)
- Budgetary Control and Management (reasonable assurance)
- Operations Vehicle Maintenance Processes (reasonable assurance)
- DFG Grant Verification (advisory / no assurance opinion) **[to note]**

A summary of the outcome of these reviews, including agreed recommendations, have previously been reported through to the committee.



The following reports are currently at **draft report stage**:

- Review of Commercial Estates rent review processes and invoicing
- Green Credentials on projects already implemented
- Code of Procurement
- Key Financial Controls

We will be working with Officers to obtain responses to these draft reports and finalise these over the coming weeks. **[to note]**

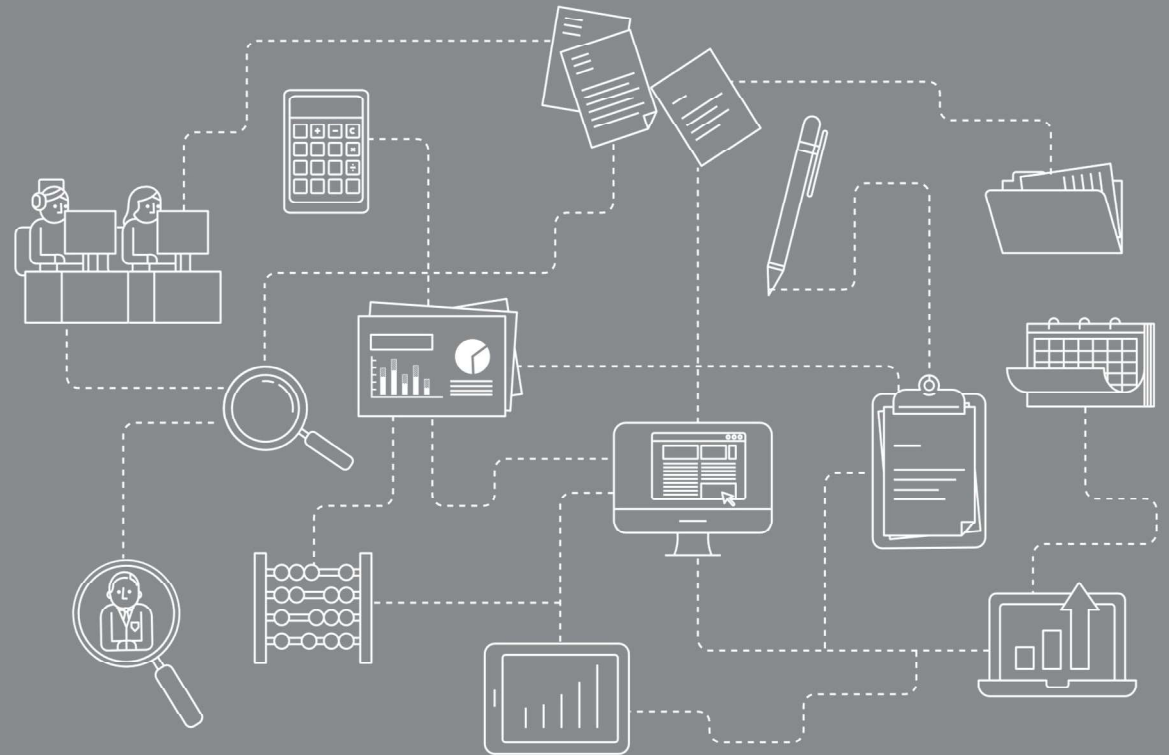


Details of the progress made against the 2024/25 internal audit plan are included at Appendix A. **[To note]**

We have commenced the annual planning process for the 2025/26 internal audit plan and a separate paper on this item is on the agenda today. **[To note]**

Final Reports

01



1. FINAL REPORTS

1.1 Summary of final reports being presented to this Committee

This section summarises the reports that have been finalised since the last meeting.

There have been no finalised reports since the last meeting.

Appendices

02



APPENDIX A: PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2024/25

No.	Assignment	Status / Opinion issued / Start date	Actions agreed			Original and Target CGC for final report	Actual CGC meeting
			Red	Amber	Green		
#1	Risk Management, implementation of strategy & follow up of previous actions	Deferral to 2025/26 *				-	-
#2	Minor works follow up - now Medium Term Civils Contract procurement	Final Report (No opinion) – Follow Up Assignment	0	3	0	July 2024	July 2024
#3	Budget Management; financial sustainability	Final Report - Reasonable Assurance	0	6	0	July 2024	July 2024
#4	Corp Gov Scheme of Delegations	Deferral to 2025/26 *				-	-
#5	Partnership Working	Deferral to 2025/26 *				-	-
#6	Development Management	To commence Feb/March 2024				-	-
#7	Home Improvement Agency	Deferral to 2025/26 *				-	-
#8	Operations Vehicle Maintenance Processes	Final Report - Reasonable Assurance	0	5	0	July 2024	July 2024
#9	All Services, Contract Management	Deferral to 2025/26 *				-	-
#10	Data Quality Standard Compliance	Deferral to 2025/26 *				-	-
#11	One Leisure, Pool Operation Records	Fieldwork in progress				March 2025	-
#12	Review of Asset Management Records, HDC properties	To commence Feb/March 2024				-	-
#13	Review of Commercial Estates rent review processes and invoicing	Draft report stage				March 2025	Draft actions taken to November 2024 meeting
#14	DFG Grant Verification	Final Report - No opinion as Grant Review (no report available)	0	0	0	n/a	n/a
#15	Green Bin Implementation and transfer to BAU operations	Draft report stage				March 2025	Draft actions taken to November 2024 meeting
#16	Green Credentials on projects already implemented	Fieldwork in progress				March 2025	-

No.	Assignment	Status / Opinion issued / Start date	Actions agreed			Original and Target CGC for final report	Actual CGC meeting
			Red	Amber	Green		
#17	Code of Procurement	Draft report stage				March 2025	Draft actions taken to July 2024 meeting
#18	Facilities Management and ICT	Not commenced **				-	-
#19	Key Financial Controls	Draft report stage				March 2025	-
#20	Critical Application Security	Not commenced **				-	-
#21	Follow ups, previous ICT actions	Not commenced **				-	-
#22	Immutable Back ups	Not commenced **				-	-
#23	IT Governance and Strategy	Not commenced **				-	-

* These reviews have been deferred by the previous Internal Audit Manager (Head of Internal Audit) prior to RSM commencing our role. We understand that these changes have not been reported through to the CGC for information or approval.

** These IT reviews have not been completed during this financial year. RSM has been informed that historically IT reviews were completed by an outsourced provider, however for the current financial year they have not been delivered.

APPENDIX B: OTHER MATTERS

Detailed below are the changes to the 2024/25 internal audit plan:

Note	Auditable area	Reason for change
1	<p>Audits deferred from 2024/25 plan:</p> <ul style="list-style-type: none"> Risk Management, implementation of strategy & follow up of previous actions Corp Gov Scheme of Delegations All Services, Contract Management Partnership Working All Services, Contract Management Data Quality Standard Compliance 	<p>RSM has been informed that six audits from 2024/25 have been (informally) deferred by the previous internal audit manager during the current financial year.</p> <p>Of these six reviews, four had previously been deferred from the 2023/24 internal audit plan.</p>
2	<p>Audits not commissioned from external specialists from 2024/25 plan:</p> <ul style="list-style-type: none"> Facilities Management and ICT Critical Application Security Follow Ups, previous ICT actions Immutable Backups IT Governance and Strategy 	<p>Five IT reviews previously planned have not yet been delivered during 2024/25. Historically HDC commissioned these reviews externally.</p> <p>RSM is currently in discussions with the Section 151 Officer with regards to provision of a technology risk assignment for the 2024/25 internal audit plan.</p>
3	<p>Additional Audits to be delivered in Q4 2024/25:</p> <ul style="list-style-type: none"> IT Key Control / Cyber Essentials Follow Up of previous actions / recommendations 	<p>RSM have agreed with the Section 151 Officer to undertake two reviews in Q4 of 2024/25 to provide some assurance around the key IT / Cyber controls in place at the Council and to undertake an independent review of previously agreed management actions / recommendations and provide some assurance that these issues and risks identified are being mitigated.</p>

Compliance with Public Sector Internal Audit Standards (PSIAS)

Each Local Authority (and the internal audit team) is required to comply with the PSIAS. Under the standards, internal audit services are required to have an external quality assessment (EQA) every five years. We understand from our enquiries and review of previous CGC papers that two different self-assessments were undertaken by previous in-house Heads of Internal Audit, and that the Local Government Association (LGA) also undertook a peer review of governance processes in 2023/24, assessed against CIPFA's "Unlocking Internal Audit Potential" report, to provide insight into the effectiveness of the Council's arrangements', including an independent review of the internal audit service. However, from our enquiries we do not believe that a formal EQA has been commissioned for at least seven years. The peer review was reported to the CGC in July 2024 and highlighted some important areas that have historically come under the responsibility of Internal Audit but should be considered for separation in order that Internal Audit is able to independently review and report (for example, Whistleblowing, AGS)).

We understand that the Council commissioned an independent EQA readiness review in 2024/25 (final report issued in August 2024). This identified a number of significant gaps with EQA readiness in key areas, raising four high and two medium actions. It also concluded that these improvement areas needed to be addressed in preparation for an EQA. We have been advised that a number of these actions and improvement areas remain outstanding.

We have already concluded, based on the EQA readiness assessment report produced by BDO and the gaps identified that the team have not fully met the Public Sector Internal Audit Standards (PSIAS) in 2024/25 (for example we are not aware that any of the 4 high and 2 medium recommendations have been implemented).

We have already flagged a clarification point we need to discuss and resolve with the S151 Officer in relation to compliance with the PSIAS in 2025/26 (and new Global Internal Audit Standards – effective 1 January 2025). RSM audits will be fully compliant with the new standards, but we need to hold further discussions in relation to the work delivered by the in-house team, and how to ensure compliance with the standards in 2025/26.

Please note that in relation to work delivered by RSM:

The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements. The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

Annual Report 2024/25

We understand from reviewing the previous three financial years annual reports that 'Limitations of Scope' have been applied to the Head of Internal Audit opinions and the annual reports. Some of these limitations of scope have been due to resourcing (ie a lack of resource to undertake enough work to provide an opinion on risk management and governance).

The above prior year limitation of scopes, combined with the limited amount of work delivered to date in relation to the 2024/25 internal audit plan, the number of reviews deferred to 2025/26 (some of which were deferred from 2023/24) and the likely non-compliance during 2024/25 with PSIAS has resulted in our advice to the S151 Officer and wider Executive Team that we will issue a limitation of scope position statement within the 2024/25 annual report across Risk Management, Governance and Internal Control.

We are developing a plan of work for 2025/26 that will commence in April 2025.

Information and briefings

RSM has appended the following client briefings as information for members and officers:

- Emerging Risk Radar – Summer 2024
- Client Briefing on Procurement Reform 2024
- Client Briefing on Internal Audit Code of Practice
- Client Briefing Application Note on Global Internal Audit Standards in the UK Public Sector.

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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